

MSHDA POLICIES & PROCEDURES

Homeownership's Help for Hardest Hit (H4HH) Unemployment Mortgage Subsidy

Effective Date: June 23, 2010	Replaces Issue of:	Product Name: Unemployment
--------------------------------------	---------------------------	-----------------------------------

SUMMARY: This is one of MSHDA's federally-funded programs developed to provide assistance to Michigan residents hit hardest by the housing crisis. As one of five states, Michigan was allocated \$154.5 million to implement and oversee this innovative program to help prevent foreclosures, retain homeownership and stabilize property values.

The Michigan Homeowner Assistance Nonprofit Housing Corporation (MHA) acting through MSHDA, is partnering with Lender/Servicers to directly provide funds to subsidize an eligible borrower's current or modified mortgage payments.

PRODUCTS: Unemployment Mortgage Subsidy

LOAN PURPOSE: One-time fund to assist Borrower in retaining homeownership by subsidizing mortgage payments during their time of unemployment, not to exceed a total of 12 consecutive months.

LOAN TERMS: Prior to Lender/Servicer applying the assistance, homeowners will execute a secured subordinate lien mortgage and note. Loan will be a 0% non-amortizing loan, forgivable over a 5 year term at 20% per year. Loan will be due on sale or transfer of the property, or when the property ceases to be the principal residence of the homeowner, or if the mortgagor repays in full any mortgage loan encumbering the property.

**FUND AMOUNT
LIMITS:**

The lesser of 50% of current or modified PITI or \$750 per month, not to exceed 12 consecutive months; a maximum of \$9,000 per household. Subsidy ceases two months after borrower returns to work; maximum subsidy is still limited to total of 12 months or \$9,000. Once MSHDA has granted approval of funds, subsidy amount may not be adjusted for increases or decreases in escrow requirements.

REQUIREMENTS: The borrower must occupy the property as his/her primary residence, located within the state of Michigan, and be obligated on the original mortgage note. Borrower must submit loan intake application to their Lender/Servicer to determine eligibility for the program. Eligible Lender/Servicer's must have a valid Help for Hardest Hit Servicer Participation Agreement on file with MSHDA to participate in this program.

INCOME LIMITS: None

**MORTGAGE
LIMITS:**

Mortgage loans with unpaid principal balances equal to or less than \$729,250.

**ELIGIBLE
PROPERTIES:**

Located in state of Michigan.

Existing single-family homes or condominiums (attached or detached).

Existing manufactured homes on foundations permanently affixed to real estate.

Owner-occupied, primary residence,

No second homes or investment properties.

**QUALIFYING
RATIOS:**

Lender/Servicer to determine borrower's qualifying ratios for eligibility. Sustainable total PITI ratio generally should be 31 to 43%. If loan modification is required, ratios should not exceed 31%. Total PITI to include all subordinate lien P&I payments. Unemployment subsidy cannot be used to bring down the total PITI less than 25%. Current household income for all adults occupying this property as their primary residence may be used to determine qualifying ratios.

**BORROWER
ELIGIBILITY:**

For Lender/Servicers who participate in HAMP, HAMP must be the first loss mitigation option for borrowers who seek assistance (as required by their HAMP participation agreement). If Lender/Servicer approves HAMP or other loan modification, provide evidence of accepted terms.

Borrowers must be receiving Michigan unemployment benefits.

Homeowners may not have cash reserves exceeding 3 months total PITI. Cash reserves are any non-retirement liquid assets the homeowner has available for withdrawal from any financial institution or brokerage, including checking and savings accounts, CDs (even if held for an extended time), mutual funds, money market funds, stocks or bonds.

If Borrower is currently delinquent, Lender/Servicer must approve an acceptable repayment plan to bring the loan current, Lender/Servicer to submit copy of plan to MSHDA at time of application.

Lender/Servicer to provide evidence of mortgage payment amount.

Borrower must sign MHA's Borrower's Authorization & Disclosure Agreement acknowledging terms of one-time assistance and agreeing to remit the remaining monthly payment to their current mortgage Lender/Servicer by the already established due date. If at any time during the subsidy period the mortgage payment becomes delinquent over 30 days MHA will immediately stop the monthly subsidy.

Borrower must notify MHA immediately upon return to work.

**ALLOWABLE
FEES:**

None

**DOCUMENTATION
REQUIREMENTS:**

APPLICATION:

- Request for HFHH 003 Commitment
- H4HH 004 Servicer Loan Work Out Plan
- H4HH 002 Borrower's Authorization
- Mortgage Loan Profile
- Borrower's Intake Application
- Evidence obligated on Note
- Mortgage History-if account is currently past due provide work out plan to bring account current
- Hardship Affidavit
- Evidence receiving Michigan unemployment benefits

TRAILING/CLOSING DOCUMENTS: Within 30 days of commitment date
Lender/Servicer will send MSHDA:

- Copy of Commitment Letter
- Original fully executed and notarized Mortgage
- Original fully executed Note
- Lender/Servicer's current mortgage history to show subsidy is applied monthly as agreed
- Lender/Servicer to notify MSHDA when borrower's portion of the payment is late and when over 30 days delinquent.
- If Borrower defaults or does not pay their portion as agreed, Lender/Servicer must return funds to MSHDA within 30 days and the borrower is no longer eligible for the subsidy.

AUDIT: MSHDA staff will randomly select 10% of the Lender/Servicers closed files for internal post closing audit on a monthly basis. The Lender/Servicer will be notified by e-mail which loans to submit complete packages of their workout plan. Files will be required to be sent via overnight courier within 5 business days of request. This post audit function may later be transferred to an outside contractor.